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Key 2007 Developments

Political Maturation Likely, as IPOs and Land Sales Progress

Smoother Politics will Bring Advances

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EXECUTIVE SUMMARY

The new Tymoshenko government has secured remarkably favorable conditions for carrying out long felt needed reforms: it managed to fill key cabinet posts with coalition members and allies, then won quick parliamentary approval for those appointments. Reforms in key areas, such as public utilities, and revision of the tax system, may be passed and even partly implemented this year. Constitutional reform will be another battlefield. But in the runup to the 2009 presidential elections, we don't expect many substantive advances in that area.

The main political forces seem to have reached a general and even stable compromise. Deals among incumbents may make it tougher for outsiders to field candidates.

We saw some political shifts in Ukraine last year. Populism supplanted Communism and, unlike in elections past, no party called upon Russian political strategists to guide their campaigns, or opposed the country's aspiration to join the European Union. Rather, opponents publicly attacked each other for breaching "European norms"--and appealed to European institutions to mediate. Has the risk of neo-Soviet governance passed?

This year we expect further advances: we could see some rearrangement in the main political parties, but the current blocs are unlikely to coalesce into unified political parties; the major business groups' political behavior will grow more transparent, due to impending IPOs likely to draw foreign investor participation; and a moratorium on the sale of increasingly valuable agricultural land is likely to be lifted.

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